

**OPENING STATEMENT OF REP. SPENCER BACHUS  
JULY 24, 2001 INTERNET GAMBLING HEARING**

The Subcommittee meets today to review various legislative proposals for combating gambling over the Internet, including legislation introduced by the distinguished former Chairman of the Banking Committee, Mr. Leach, and a bill being developed by our equally distinguished colleague from Virginia, Mr. Goodlatte. We are also honored to have with us today Senator Jon Kyl of Arizona, who is one of the Senate's leading experts on criminal justice issues, and was the author of Internet gambling legislation that passed the Senate unanimously last Congress.

Earlier this month, the Oversight and Investigations Subcommittee, under Mrs. Kelly's leadership, held a broad oversight hearing to assess developments in Internet gambling since Congress last examined the issue in the 106<sup>th</sup> Congress. That hearing laid the foundation for today's examination of legislative solutions to the problems presented by Internet gambling. Among the key findings of the Oversight Subcommittee's hearing on this subject were the following:

**First**, although most experts agree that the federal Wire Act generally bans Internet gambling in the United States, Federal law is tough to enforce since Americans are using their computers to place bets at virtual casinos located offshore – beyond the reach of U.S. law.

**Second**, while most States do not currently allow Internet gambling, the National Governors Association has taken the position that the Federal government should not interfere with States' authority to regulate any future online gambling within their own borders.

**Third**, although some experts advocate "regulating" rather than "banning" Internet gambling, brick-and-mortar casinos in the United States – whose operations are subject to strict State laws – don't believe the technology is yet available to implement strict regulation of a legal on-line gambling industry. Thus, for all practical purposes, the option of "regulating" as opposed to "banning" Internet gambling may not be a viable one at this time.

**Fourth**, the social and financial hazards associated with Internet gambling are particularly pronounced when it comes to our young people. Several witnesses talked about the special risks posed by the computer sophistication of today's teenagers and college kids, their easy access to credit cards, the potential for campus sports betting, and the enormous gambling debts some have racked up.

The legislative approaches the Subcommittee will review today seek to combat Internet gambling through the payment system, by making it unlawful to accept bank instruments,

including credit cards, electronic fund transfers, and checks, in connection with bets placed on-line. Some in the financial services industry have expressed concerns in the past about enforcement schemes that require them to police Internet gambling, and make transaction-by-transaction determinations as to whether a particular use of their products or services runs afoul of legal prohibitions.

The proper mechanism for enforcing a ban on Internet gambling is just one of several challenges Congress faces in trying to legislate in this area. Another is the dizzying pace of technological change in the new economy, which threatens to render legislative solutions that make sense today obsolete or ineffective tomorrow. We must also be careful not to cast too broad a net, by deputizing financial institutions to conduct overly intrusive inquiries into the activities of their customers. As the controversy over the “Know Your Customer” proposal of a few years ago powerfully demonstrates, Americans’ confidence in their financial institutions can be badly undermined if they come to believe that their routine transactions are being monitored and reported to the Federal government.

Our colleagues who are here to testify this morning should be commended for tackling the complex public policy issues that surround Internet gambling head-on. I look forward to hearing from them, as well as from our second panel of private sector

witnesses, who will assist us in understanding both the benefits and potential implications of legislation to ban or limit Internet gambling.

I now recognize the Ranking Member, Ms. Waters, for any statement she would like to make.